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Report Highlights:
EU cattle markets are finding a new balance after implementation of the 2003 CAP Reform. Increasing beef production in the southern half of the EU, isn't expected to compensate for further decreases in EU dairy herds, which are concentrating in northern Europe. In 2006, the slaughter of half a million cattle in the UK after the end of the OTMS, will relieve short supplies in the EU and strained beef imports from Brazil, resulting from the ban for FMD. As a result of tight EU supplies, EU beef exports are expected to further decrease.
With a new pig production cycle, increasing pork production is expected to satisfy increasing demand from domestic consumers and export markets. Exports of pigs and pork to Eastern and Central European markets are increasing significa ntly and expectations are that demand will be enhanced by the Russian ban on pork imports from Brazil and possibly Avian Flu scares.

Includes PSD Changes: Yes
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Table of Contents

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Executive Summary

On January 1, 2006 the remaining EU member states implemented the 2003 CAP Reform. As a result, EU meat markets are evolving to a new market balance. Specialized beef production is concentrating and increasing in the southern part of Europe, where member states have kept suckler cow and slaughter premia maximally coupled. The northern part of Europe is partly reducing its beef production and concentrating more on dairy production. However, with the dairy production quota fixed and increasing milk production efficiency, dairy herds are decreasing. Increases in beef cow herds don't compensate for the decreases in dairy herds.

Cattle slaughter numbers and beef production are however forecast to increase in 2006, because of the end of the Over Thirty Month Scheme in the United Kingdom, which is expected to make about half a million extra cattle born after August 1, 1996 available for slaughter for human consumption. This is forecast to mainly displace UK beef imports from Ireland, which in turn will displace beef imports to the EU continent mainly from Brazil. The EU ban on beef from parts of Brazil, in response to the outbreak of Foot and Mouth Disease (FMD), is expected to facilitate this transition, and keep EU cattle and beef markets firm. EU cattle prices have reached record prices towards the end of 2005 as a result of the tight market situation. This has led to a slight decrease in beef consumption in 2005, but beef consumption is forecast to increase again in 2006. Beef exports are expected to further decrease, because of tight supplies in the EU and despite good market opportunities, mainly to Russia, as a result of the Russian import ban on Brazilian beef.

With the start of a new pig production cycle in late 2005, pig production and slaughter is forecast to revert to an increase again in 2006. This comes in due time, with favorable export conditions in the Balkans and Romania, mainly for piglet exports, and for slaughter pig exports to neighboring former Soviet markets like Ukraine, Moldova and Belarus. Pig exports have almost doubled in 2005 and are forecast to maintain a high level in 2006.

EU domestic consumption of pork is also forecast to continue its increase through 2006 and maybe the Avian Influenza scare will lead to larger displacements of poultry meat by pork. Pork exports in 2006 are also expected to benefit from a favorable market situation, after a decrease in 2005. Exports to Russia and Ukraine will expectedly be enhanced by the Russian ban on pork imports from Brazil, because of FMD. A worsening of the Avian Influenza situation in Russia and central parts of Europe and Asia could also increase demand for exports of pork to replace poultry meat. Exports to Japan and the rest of Asia are forecast to suffer as Asian consumers are expected to partially turn to beef again following the resumption of beef imports from the U.S. and Canada.

Cattle

Country	EU-25					
Commodity	Animal Numbers, Cattle (1000 Head)					
	USDA Official [old]	Posts estimates [new]	USDA Official [old]	Posts estimates [new]	USDA Official [old]	Posts estimates [new]
Market Year	2004		2005		2006	
Total Cattle Beg. Stks	87,478	87,478	86,674	86,412	85,900	85,900
Dairy Cows Beg. Stocks	23,963	23,963	23,435	23,400	23,125	23,000
Beef Cows Beg. Stocks	12,324	12,033	12,379	12,073	12,475	12,250
Production (Calf Crop)	31,553	31,025	31,060	30,509	30,850	30,450
Extra EU25 imports	68	68	60	65	55	60
TOTAL SUPPLY	119,099	118,571	117,794	116,986	116,805	116,410
Extra EU25 exports	433	435	350	325	320	300
Cow Slaughter	7,520	7,275	7,400	6,975	7,275	7,450
Calf Slaughter	5,942	5,703	5,900	5,689	5,925	5,660
Total Slaughter	29,249	28,917	28,750	28,027	28,650	28,400
Loss	2,743	2,807	2,794	2,734	2,585	1,980
Ending Inventories	86,674	86,412	85,900	85,900	85,250	85,730
TOTAL DISTRIBUTION	119,099	118,571	117,794	116,986	116,805	116,410
Source: FAS EU Offices						

2004

Beef cow inventories were revised downwards from the last report as some member state data was previously missing. This resulted in a review of calf crop figures. The update of trade figures only showed a minor increase in live cattle exports. Slaughter figures were revised downwards, as the result of a review of slaughter statistics in Poland. Ending inventories were also revised downwards, as cattle inventories were reviewed in Italy.

2005

Dairy cow inventories continue their long-term decline as a result of increasing milk production efficiency, combined with the fixed milk production quota. Beef cow numbers were increased by 40 thousand heads compared to 2004, but this can't offset the decline in dairy cows. The increase results mainly from an increase in beef cows in Portugal to exploit the extra 90 thousand slaughter premia rights that were obtained in the 2003 CAP Reform agreement. Beef cow herds in Poland, the Czech Republic and Hungary are also expanding, as well as in the United Kingdom. A decrease in calf crop is the result of the decline in cow inventories. This decrease in calf production was aggravated by a decrease in Portugal and Spain as a result of the extreme drought. Cattle imports were stable, while live cattle exports, mainly to Lebanon and Algeria, decreased even more than previously anticipated. Intra EU cattle trade occurred from Portugal to Spain, as a result of the Portuguese drought, cows and calves traveled from Poland to the Netherlands for slaughter, primarily for veal production, while more Polish calves went to Italy for fattening and slaughter.

Total slaughter decreased in line with lower inventories and the decrease in calf births. Calf slaughter, however, remained stable because of the good profitability of veal production. From November 7, 2005 on, UK cattle born after July 1996 could be slaughtered and sold for human consumption subject to a negative test for BSE. With the Over Thirty Month Scheme (OTMS) being phased out, slaughter of older cattle for the domestic market slowly started in the UK. EU cattle ending inventories continued to decrease. In the South-West of Spain and Portugal an outbreak of Blue Tongue Disease was responsible for a reduction of the cattle herds.

2006

While dairy cattle numbers are expected to further decrease, beef cow numbers are forecast to further increase, mainly in Portugal, Italy, the United Kingdom, the Benelux, the Czech Republic, Slovenia and Poland. Some decreases in beef cow herds are forecast in Germany, France (although at a slower pace than in previous years, which will lead to a stabilization of the calf crop) and Ireland. Imports are forecast to decrease slightly, while cattle exports are forecast to further decrease as a result of the smaller herds and the ending of export refunds for live cattle for slaughter at the end of 2005. Cattle slaughter, including spent dairy cows, is expected to increase significantly, largely due to the closure of the OTMS on January 20, 2006. With only UK cattle born before August 1996 excluded from the food chain, and slaughtered under a newly introduced UK Older Cattle Disposal Scheme (OCDS), over half a million of additional animals over thirty months of age will enter the food chain in 2006 in the UK alone[1]. Cattle ending inventories are forecast to further decrease in 2006.

Cattle calf crop production (Top 5 EU-25 member states) 1000Head

	2004	**2005**	**2006**
France	6,824	6,620	6,650
Germany	4,779	4,444	4,371
United Kingdom	3,260	3,204	3,150
Italy	2,529	2,540	2,560
BeNeLux	2,500	2,457	2,425

BeNeLux is closely followed by Spain

Cattle slaughter (Top 5 EU-25 member states) 1000Head

	2004	**2005**	**2006**
France	5403	5270	5250
Italy	4197	3900	3900
Germany	4141	3840	3750
BeNeLux	2825	2830	2790
Spain	2684	2740	2750

UK slaughter is forecast slightly higher than Spain's in 2006

Cattle exports (Top 5 EU-25 member states) 1000Head

	2004	**2005**	**2006**
Poland	121	100	100
Germany	142	60	50
Hungary	51	46	45
France	49	43	40
BeNeLux	13	20	20

[1] See GAIN UK5022 UK BSE restrictions to be reduced

Beef

Country	EU-25					
Commodity	Meat, Beef and Veal (1000 Head; 1000MT CWE)					
	2004		2005		2006	
	USDA official [old]	Posts Estimates [new]	USDA official [old]	Posts Estimates [new]	USDA official [old]	Posts Estimates [new]
Slaughter (Reference)	29,249	28,917	28,750	28,027	28,650	28,400
Beginning Stocks	59	59	0	0	0	0
Production	7,941	8,007	7,825	7,770	7,800	7,820
Extra EU25 imports	583	584	615	625	625	600
TOTAL SUPPLY	8,583	8,650	8,440	8,395	0	8,420
Extra EU25 Exports	358	358	250	250	220	220
TOTAL Domestic Use	8,225	8,292	8,190	8,145	8,205	8,200
Ending Stocks	0	0	0	0	0	0
TOTAL DISTRIBUTION	8,583	8,650	8,440	8,395	8,425	8,420
Source: FAS EU Offices						

2004

Beef production was slightly revised up because of a revision of slaughter statistics in Poland, where slaughter weights appear to have been higher than previously estimated. This resulted in a higher domestic consumption than previously reported.

2005

EU beef production is reportedly lower than previously anticipated as a result of lower than expected cattle slaughter rates. This decrease in production is partly offset by a higher than anticipated import. Third country imports into the UK, Germany and Italy, mainly from South America and particularly Brazil, remained buoyant. France remains the largest EU beef producer and market, but it is also a very closed market, with domestic production close to domestic consumption. The October outbreak of Foot and Mouth disease (FMD) in Brazil and the consequent EU ban on Brazilian exports had only a minor impact on EU beef imports at the end of 2005. Within the EU a change of trade flow occurred. Total UK beef imports fell in CY2005, particularly from Ireland where tighter supplies combined with lower UK prices reduced the attractiveness of the UK's market. Irish beef exporters are increasingly targeting beef exports to the European continent. As already anticipated, beef exports are considerably lower than in 2004 as a result of high EU beef prices, combined with the 20 percent decrease of export refunds in June 2005. Beef exports to Russia mainly have decreased. As a consequence, domestic consumption has decreased from the previously anticipated level. High beef prices are the main driver for the decrease in beef consumption. Especially in the new member states, an increase in beef consumption was inhibited by high beef prices.

2006

Beef production is expected to increase significantly in 2006, as a result of the slaughter for the food market of the majority of UK cattle over thirty months of age. Expectations are that this may yield over 150 thousand MT CWE of beef for processing. Th is will have a dramatic effect on imports, principally from intra -EU sources and most notably from Ireland. This situation will be further exacerbated as long as the UK beef export ban remains in place. While beef exports to other EU member states are currently permitted under the Date Based Export Scheme (DBES), volumes remain very low. However, the UK Government is very hopeful that the favorable report by the EC Food and Veterinary Office (FVO) (following a decline in incidence of BSE in the UK to below 200 cases per million and good progress in BSE surveillance techniques), in 2005 will see the full export ban on British beef lifted in early 2006. This would mark the ten year anniversary of the imposition of the ban. No date has yet been decided and, since it will require discussion among member states, resumption of exports is unlikely to be prompt. As such, 2006 forecasts do not currently reflect an opening of the UK's beef export market. The displacement of Irish beef in the UK market will expectedly lead to lower imports from South-America into European continental markets as a result of the reorientation of Irish beef exports into these markets. This will be enhanced by the outbreak of FMD in Brazil. The main impact of the EU ban on imports from Brazil is expectedly a further increase in European cattle and beef prices. EU beef exports are forecast to further decrease because of lack of adequate supplies, high prices and a further decrease in export refunds, which was decided by the EC in late December 2005. The Russian ban on imports from Brazil, because of FMD, is expected to support EU exports to Russia, but EU prices and lack of supplies will supposedly not allow for major increases of these exports. EU beef consumption is expected to increase, despite high prices, as a result of the growth in population and perhaps some substitution for poultry meat as a result of consumer's reaction to the Avian Influenza (AI) outbreaks in Turkey in early January 2006.

Beef production (Top 5 EU-25 member states) 1000MT

	2004	**2005**	**2006**
France	1,541	1,515	1,515
Germany	1,263	1,263	1,170
Italy	1,148	1,105	1,087
Spain	702	720	720
United Kingdom	709	744	854

Beef consumption (Top 5 EU-25 member states) 1000MT

	2004	**2005**	**2006**
France	1,603	1,643	1,665
Italy	1,436	1,429	1,438
United Kingdom	1,321	1,322	1,330
Germany	945	940	935
Spain	646	653	655

Beef exports (Top 5 EU-25 member states) 1000MT

	2004	**2005**	**2006**
Germany	82	51	50
Ireland	57	35	35
Italy	31	36	35
Benelux	30	32	32
Spain	34	20	20

Beef exports from France and Poland closely follow Spain

Swine

Country	EU-25					
Commodity	Animal Numbers, Swine (1000 Head)					
	USDA official [old]	Posts estimates [new]	USDA official [old]	Posts estimates [new]	USDA official [old]	Posts estimates [new]
Market Year Begin	2004		2005		2006	
TOTAL Beginning Stocks	152,793	152,793	151,657	151,143	152,500	153,100
Sow Beginning Stocks	14,590	15,167	14,282	14,880	14,350	14,900
Production (Pig Crop)	252,316	249,245	252,000	251,040	253,700	252,670
Extra EU25 imports	0	1	0	1	0	1
TOTAL SUPPLY	405,109	402,039	403,657	402,184	406,200	405,771
Extra EU25 exports	372	446	400	800	400	700
Sow Slaughter	3,803	3,502	3,730	3,670	3,720	3,700
Total Slaughter	241,816	241,154	240,000	239,685	242,200	242,000
Loss	11,264	9,296	10,757	8,599	10,600	9,071
Ending Inventories	151,657	151,143	152,500	153,100	153,000	154,000
TOTAL DISTRIBUTION	405,109	402,039	403,657	402,184	406,200	405,771

Source: EU FAS Offices

2004

EU member state reviews of sow inventories led to an increase over the previously reported sow stock. Final EU export numbers were significantly higher than previously anticipated. Especially exports of piglets to Croatia and slaughter pigs to Russia showed a hike towards the end of the year. Final total slaughter data were slightly below previous estimations and swine ending inventories were also reviewed downwards.

2005

While sow beginning numbers have slightly decreased compared to 2004, the overall EU pig crop has marginally increased as a result of higher fertility rates. This marks the start of a new pig production cycle. Exports of live pigs are reportedly expanding much faster than previously anticipated. Exports mainly of pigle ts are rapidly increasing to Croatia and Bosnia -Herzegovina, but also to Romania and Ukraine, where Danish pig farmers are investing to escape domestic expansion restrictions. Exports of slaughter pigs to Russia decreased after the late 2004 hike. Total slaughter decreased compared to 2004, as the pig production cycle ended. The largest decreases in slaughter are recorded in Denmark, France, Italy, the Czech Republic, Hungary and Poland. In contrast, slaughter increased in Germany. This is the result of the increasing import of piglets for fattening in Germany from Denmark, and of slaughter pigs from the Netherlands and Denmark. French exports of slaughter pigs to the Netherlands almost doubled in 2005 due to the attractive prices proposed by Dutch slaughterers and processors to French pig exporters. Italy also remains a large importer of slaughter pigs, mainly from the Benelux, which remains a large exporter. Ending inventories are reportedly increasing from their lowest point in 2004.

2006

Pig pro duction is forecast to increase compared to 2005, albeit at a slower pace than previously estimated. Swine exports are expected to remain at a high level, just somewhat below the 2005 level, as production capacity in export destinations like Romania is in creasing and as a result of strong domestic demand. Especially, Hungarian pig exports to Romania are forecast to decrease from their high 2005 level. EU pig slaughter is forecast to increase by about one percent in 2006, with the main increases expected in Germany, Poland, Portugal and Spain. Slaughter decreases are mainly forecast in France, Italy, the Czech Republic and Hungary, although Czech pig production is expected to resurge by the end of 2006 and perhaps also in Hungary. Hungarian producers are creating a new cooperation to build a slaughterhouse with a capacity of 1.5 million heads. With large supplies of cheap feed grains, these countries have a certain competitive advantage on feed costs. Pig ending inventories are forecast to increase by about one percent.

Pig crop production (Top 5 EU-25 member states) 1000Head

	2004	2005	2006
Germany	43,195	44,490	44,835
Spain	39,538	39,940	40,000
Benelux	32,800	33,000	33,000
Denmark	26,498	27,183	27,250
France	26,199	25,850	25,760

Swine slaughter (Top 5 EU-25 member states) 1000Head

	2004	2005	2006
Germany	46,321	48,500	49,000
Spain	37,835	37,900	38,100
Benelux	25,597	25,500	25,500
France	25,542	25,150	25,000
Poland	23,228	23,080	24,400

Swine exports (Top 5 EU-25 member states) 1000Head

	2004	2005	2006
Hungary	148	240	140
Benelux	51	175	200
Poland	126	145	150
Germany	48	100	100
Austria	24	30	30

Pork

Country	EU-25					
Commodity	Pigmeat	(1000 MT CWE)(1000 HEAD)				
	USDA official [old]	Posts estimates [new]	USDA official [old]	Posts estimates [new]	USDA official [old]	Posts estimates [new]
Market Year Begin	2004		2005		2006	
Slaughter (Reference)	241,816	241,154	240,000	239,685	242,200	242,000
Beginning Stocks	24	24	0	0	0	0
Production	20851	21192	20720	21200	20900	21400
Extra EU25 imports	20	20	20	19	20	15
TOTAL SUPPLY	20895	21236	20740	21219	20920	21415
Extra EU25 exports	1436	1463	1430	1380	1450	1450
TOTAL Domestic Use	19459	19773	19310	19839	19470	19965
Ending Stocks	0	0	0	0	0	0
TOTAL DISTRIBUTION	20895	21236	20740	21219	20920	21415

Source: EU FAS Offices

2004

A review of pork production revealed a higher pork production than previously reported, mainly as a result of higher carcass weight. Final pork export figures were slightly increased. The revision of pork production data led to an increase in domestic consumption.

2005

Pork production in 2005 has reportedly stabilized at the 2004 level, despite a lower slaughter rate but because of another increase in carcass weight. EU imports of pork, for which the U.S. is the largest exporter before Chile, are slightly decreasing. Pork exports are decreasing as a result of strong competition from the U.S. and Canada for Danish and Benelux exporters in the Asian markets, principally Japan. EU exports to the U.S., mainly of processed products, are also decreasing because of high EU prices. EU exports to Russia are hampered by a Russian ban on imports from Poland. Overall EU domestic consumption is slowly increasing.

2006

EU pork production is forecast to increase about one percent in 2006. The largest increases are expected in Germany and Poland. Pork imports are forecast to further decrease as a result of the higher EU production. EU pork exports are forecast to increase, with the EC estimating an increase of around three percent. European exports to Russia are expected to substitute for the decrease in Russian imports from Brazil, because of the FMD situation. These exports to Russia could even turn out to be higher than projected if the Avian Influenza situation in Central Asia and Ukraine would lead to larger displacements of poultry meat in the Russian market. European pork exports to Asia are expected to further decrease as a result of the resumption of beef imports from the U.S. into Asia. However, in the beginning of 2006, French pork exporters have launched several promotional activities in Japan with the aim of increasing French pork exports to 25,000 MT annually. Domestic consumption is forecast to increase in line with population growth. Some displacement of poultry meat is occurring in Greece, Italy and France as the result of consumer concerns about Avian Influenza. This displacement could become much more widespread than projected if Avian Influenza outbreaks were to be discovered in the EU-25 during the spring of 2006.

Pig meat production (Top 5 EU-25 member states) 1000MT

	2004	2005	2006
Germany	4,308	4,500	4,540
Spain	3,176	3,190	3,200
Benelux	2,353	2,340	2,340
France	2,065	2,056	2,050
Denmark*	1,804	1,780	1,800

* Denmark slightly surpasses Poland

Pig meat consumption (Top 5 EU-25 member states) 1000MT

	2004	2005	2006
Germany	4,307	4,350	4,370
Spain	2,624	2,572	2,570
Italy	2,237	2,236	2,236
France	1,918	1,960	1,941
Poland	1,621	1,635	1,710

Pig meat exports (Top 5 EU-25 member states) 1000MT

	2004	2005	2006
Denmark	507	525	525
Germany	224	270	290
Poland	140	140	150
Benelux	139	115	115
France	115	107	90

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